Exhibit C

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Wall St rescue signals power shift

David Enrich, Robin Sidel and Susanne Craig | *January 17, 2008*

IN the latest sign of America's sinking financial fortunes, investors from as far afield as Japan, Korea, Singapore, Saudi Arabia and Kuwait have come to the rescue of Wall Street.

The list of players that agreed to pump a combined $US19.1 billion ($21.7 billion) of capital into Citigroup and Merrill Lynch highlights a dramatic shift in power.

After flooding the world with capital that fed both economic growth and excess, battered US financial institutions are turning to countries and companies that not so long ago were suffering from their own disasters. Tuesday's infusions follow earlier injections into hurt US and European titans, including Morgan Stanley, Bear Stearns and UBS.

The bailout is another milestone in a long-running trend: the subsidisation of the US economy by foreign investors, from Asian governments purchasing US Treasury bonds to finance the national debt to deep-pocketed oil states snapping up stakes in hobbled banks. "There are quite a few ironies there," says Anthony Sabino, a professor of law and business at St John's University in New York. "Traditionally, it is the US economy and the wealth of the US that has come to the rescue of nations and businesses across the world."

Merrill's investors, which were announced on Tuesday, include Mizuho Financial Group, the second-largest Japanese bank, which was nearly swamped by bad loans made in the 1990s. Korean Investment Corp, another Merrill investor, is a government-controlled investment fund of South Korea, a country that was stunned by the Asian financial crisis in the late 1990s. The reason titans like Merrill and Citigroup have had to go hat in hand for money is big losses from bad bets tied to the battered US housing market.

Citigroup, which announced a fourth-quarter loss of $US9.3 billion, says it will write down the value of certain assets by $US18.1 billion. Merrill's fourth-quarter writedowns, to be announced today, are expected to be nearly $US15 billion.

That will push the toll on Wall Street from the current credit crisis past $US100 billion in losses, equivalent to 0.7 per cent of gross domestic product.

By way of comparison, the total losses from savings and loans and related commercial bank loans from 1986 to 1995 were about $US189 billion, or 3.2 per cent of average GDP in that period. S&Ls alone were $US153 billion.

Despite their problems, neither Citigroup nor Merrill had trouble luring investors, including one US pension fund and firms drawn to appealing terms such as the 9 per cent dividend Merrill promised on $US6.6 billion in preferred stock that it will issue. Citigroup will pay a 7 per cent dividend on $US12.5 billion in preferred shares.
"There are trophy properties available for what is petty cash," says Claire Gruppo, co-founder of Gruppo Levey, which advises government investment funds.

Former Citigroup chairman and chief executive Sanford Weill, who is adding to his already large stake in the New York financial conglomerate, says a total of about $US20 billion raised so far by Citigroup "goes a long way to shore up losses". He says "many parts of the company are doing very well".

Vikram Pandit, who became Citigroup's chief executive last month, says the moves announced on Tuesday "allow us to be on our front foot", using a cricket term for being well positioned.

Despite the billions of dollars in fresh capital, it isn't certain that either Merrill or Citigroup is out of the woods. Credit markets are still performing poorly and consumers continue to tangle with mortgages carrying interest rates that will be adjusted upwards this year. Furthermore, Citigroup has high exposure to the consumer credit cycle, which is showing increased signs of weakness. The big bank has a massive credit card portfolio that includes sub-prime card holders who are likely to find it increasingly difficult to pay their bills.

Financial stocks skidded on deepening fears that credit problems are spreading beyond mortgages and into credit cards, car loans, commercial loans and other types of credit.

Citigroup helped fuel the sell-off with bearish comments and $US4 billion in fourth-quarter credit costs in its US consumer business.

Merrill's capital raising efforts began in October, after its devastating third-quarter write-down and just weeks before chairman and chief executive John Thain arrived. At the board's behest, senior management led by Gregory Fleming, an investment banker specialising in financial institutions and now the firm's president, began assembling a list of possible investors, sources say.

In December the firm lined up an immediate $US4.4 billion injection from Singapore's state-run Temasek Holdings. But Thain and others calculated the firm would need another $US5 billion or so.

Given the strong response of investors, they decided to raise more, says one person involved in the discussions with investors.

"We didn't make any outbound calls on this," this person says. All investors involved in Tuesday's announcement indicated they would have invested more if they could have, and some ended up investing less than offered, this person says.

"We contacted them," says William G. Clark, director of the New Jersey Division of Investment, which agreed to invest $US400 million in Citigroup and $US300 million in Merrill Lynch. Clark approached the firms about a week ago, after reading press reports suggesting that they were looking for additional capital.

Most of the Merrill money is coming from overseas. Korean Investment Corp, Kuwait Investment Authority, and Mizuho Financial Group account for about 80 per cent of the $US6.6 billion raised, the person involved in the discussions says.

Mizuho's investment of $US1.2 billion is the biggest international move by a Japanese bank since 1986, when Sumitomo Bank, one of the predecessors of Sumitomo Mitsui Financial Group, bought a $US500 million stake in Goldman Sachs, then a private partnership that was fighting to compete with better capitalised rivals. Sumitomo went on to make $US1.9 billion on the investment. When Sumitomo found itself short of cash in 2003, Goldman pumped $US1.3 billion into the bank, solidifying the relationship between the two institutions.

Until recently, Japanese banks like Mizuho have largely shied away from big overseas investments, focusing on beefing up their domestic businesses. But these banks are now looking to boost their overseas operations.

"We'd like to see if the (Merrill deal) could lead to co-operation between the two firms in different business areas," a Mizuho spokeswoman says.

Merrill hopes to form strategic alliances with each of the big foreign firms, a source says.

The large reservoir of capital available to Citigroup and Merrill is a marked contrast to past banking crises. In 1991 it took Citigroup several months of hard searching before Saudi Arabian Prince Alwaleed Bin Talal agreed to pump $US590 million into what was then known as Citicorp. The investment, in the form of a private placement of convertible preferred stock, gave him an ownership stake of nearly 15 per cent at the time.

This time, the day after Citigroup unveiled in late November a $US7.5 billion investment from the Abu Dhabi Investment Authority, known as ADIA, a representative of the New Jersey state pension fund phoned Citigroup headquarters in New York.

"A lot of the equity investors were upset after the ADIA investment because they felt they didn't get a bite of the apple," one source says.

The New Jersey investment group and Capital Research Global Investors, already one of Citigroup's largest institutional investors, are among the most vocal investors, this person says.

Between Christmas and New Year's Day, a small group of senior Citigroup executives started hammering out that second round of fundraising. Citigroup needed fresh cash to keep its capital levels from dipping into

dangerously low territory.

Their pitch was simple: investors would have the chance to snap up significant stakes in Citigroup at half the price it would have cost them before the credit crunch hit last northern summer. Citigroup executives gave detailed briefings on the company's planned fourth-quarter announcements, including the expected dividend cut and the rough magnitude of the write-downs.

Other Citigroup executives reached out to the China Development Bank, an institution with ties to the Chinese Government. They tentatively reached an agreement last week in which CDB would invest about $US2 billion in Citigroup. But last weekend the deal fell through after it encountered resistance from Chinese regulators.

The setback proved fleeting, as the Government of Singapore Investment Corp, known as GIC, kicked in extra funding to compensate for China's withdrawal. GIC ended up by far the largest investor, pouring in about $US6.9 billion, slightly more than half of the total infusion.

The next largest contributor, the Kuwait Investment Authority, put in "a fraction" of what GIC invested, a source says.

None of the investors will own more than 4.9 per cent of Citigroup's stock, allowing them to avoid added scrutiny from US bank regulators.

While Citigroup didn't disclose the size of the other investors' stakes, the contributions were relatively small. One source describes the investments by Weill and Prince Alwaleed as "tiny little pieces" of the overall $US12.5 billion investment.

As Citigroup executives came to terms with the size of the looming fourth-quarter loss - the largest quarterly loss in Citigroup's history - the need for billions of dollars in fresh capital became obvious.

The investments announced on Tuesday will go a long way towards mending the tattered capital ratios. With that and other cash in its pocket, Citigroup estimates its tier one ratio will rebound to 8.2 per cent, safely above its internal target and regulatory minimums.

The company's US consumer business could be another source of pain. Citigroup surprised Wall Street by taking a $US4.1 billion hit in order to set aside more money to cover possible future defaults on mortgages, home equity loans, credit cards and car loans - areas in which the bank is seeing more borrowers fall behind on their payments.

Citigroup says those beefed-up reserves should be enough to cover 22 months' worth of loan losses - as long as they stay at current levels.

But many industry observers expect a leap in defaults on credit card and car loans, where credit quality so far has remained solid. If that happens, Citigroup is likely to be forced to bite the bullet and set aside additional reserves.

Additional reporting: Monica Langley, Craig Karmin, David Wessel and Yuka Hayashi

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